THE MANUFACTURING COUNCIL

FACT-FINDING MEETING OF THE MANUFACTURING COUNCIL

"POWERING OUR LOW CARBON FUTURE" CONFERENCE

The Ronald Regan Building
1300 Pennsylvania Avenue, NW
Washington, DC 20004

Tuesday,
February 5, 2008

The meeting was convened, pursuant to notice, at 1:59 p.m., MS. KAREN WRIGHT, Vice-Chair, presiding.

APPEARANCES:

MEMBERS OF THE BOARD

MS. KAREN WRIGHT
Ariel Corporation

MR. ED VOBORIL
Analogic

MR. FRED KELLER
Cascade Engineering

MR. WILLIAM G. SUTTON
Assistant Secretary or Manufacturing and Services

MS. KELLIE JOHNSON
ACE Clearwater Enterprises

MR. HARDING STOWE
R.L. Stowe Mills, Inc.

MS. DELLA WILLIAMS
Williams Pyro, Inc.

ALSO PRESENT:

MR. THOMAS A. DANJCZEK
President
Steel Manufacturers Association
1150 Connecticut Avenue, N.W., Suite 715
Washington, DC 20036

MR. PAUL N. CICIO
Industrial Energy Consumers of America
1155 Fifteenth Street, N.W., Suite 500
Washington, DC

MR. J. STEPHEN LARKIN
President
The Aluminum Association
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I N D E X

P R O C E E D I N G S

MEETING CALLED TO ORDER

VICE-CHAIR WRIGHT: Good afternoon. Thank you all for joining us today. I'd like to officially call the meeting together. During the meeting in November, we welcomed two new members to the Council, Della Williams of Williams Pyro, and Bill Jones of Penn United Technology. Della is here today. We're pleased to have you.

MS. WILLIAMS: Thank you.

VICE-CHAIR WRIGHT: And we are also going to have our Assistant Secretary for Manufacturing and Services, Woody Sutton, and he's going to moderate the discussion. We appreciate your participation. We're looking forward to whatever it is you're going to moderate.

ASSISTANT SECRETARY SUTTON: Well, I hope you all.

(Laughter)

VICE-CHAIR WRIGHT: So energy costs are obviously a nationwide concern. It affects everybody in manufacturing, and the other sector as well. So we have been working on addressing high energy costs over the last several months. Fred Keller and Kellie Johnson have been involved in our Energy Working Group

and they have done quite a bit of work on this, and been developing a number of ideas about how this could be addressed. So I'm going to turn it over to Fred and he's going to give us a little run-down on what they've done so far.

HISTORY OF THE ENERGY WORKING GROUP

Mr. Fred Keller, Chairman,

The Manufacturing Council Energy Working Group

MR. KELLER: Thanks, Karen. Thanks for the audience here today.

Just briefly, for those that are new--Della especially--after forming the Council in 2004, we had a series of letters that were written to the Secretary on workforce, tax, and trade issues facing manufacturing. Then in early 2006, we discussed again kind of the most important issues facing manufacturing, and really agreed that the most important issue facing manufacturing was energy. The President's Advanced Energy Initiative, announced in February of 2006, supported this view.

So after some good dialogue, it was determined that there were three principal policy categories that could help assure stable, long-term pricing and a secure supply of energy, and these were included in a letter to the Secretary in early 2007. That letter emphasized three basic actions, most of which you heard today. But for the immediate term, some additional domestic supply could help ease the price pressure and would be beneficial. Manufacturers would benefit most by collectively helping to reduce demand through energy

efficiency and conservation.

Then in the longer term, it will support of alternative energy and technology would be the key, so that by replacing fossil fuels with renewables such as wind, solar, and biomass--I don't think replacing, but replacing the additional demand or adding to the demand in terms of renewables--should be considered, even nuclear and clean coal, if they're possible.

We concluded with the following: "The Manufacturing Council has reviewed the draft Department of Commerce *Energy Use by U.S. Industry* report which elaborates on the energy issues facing manufacturers. The Council applauds this effort by the Department to define energy's role in industry and supports its recommended policies and next steps to promote industry competitiveness.

In particular, we are supportive of the report's call to create programs to help manufacturers improve energy efficiency through rebates and tax incentives, while providing market incentives for clean renewable fuels in every sector, particularly electric power. We recommend you advocate for such actions without delay."

These issues were then talked about with Woody, our new Assistant Secretary, as he came on

board--I can use that term, right? On board--in November of 2007. Now we're conducting this kind of fact-finding meeting to finalize our efforts on the energy issues.

SWEARING-IN OF DELLA WILLIAMS TO

THE MANUFACTURING COUNCIL

Assistant Secretary for Manufacturing and Services

William G. Sutton

ASSISTANT SECRETARY SUTTON: Great. Thanks a lot, Fred. Yes, "on board" is a good nautical term and I understand that.

(Laughter)

ASSISTANT SECRETARY SUTTON: So, welcome aboard. I want to take the opportunity once again to thank each of you for your service on the Council because this is very important. As I mentioned in our opening remarks this morning, is that we have all different advisory councils that we administer and you all are the key one for manufacturing, and we really appreciate your participation.

I won't tell you that you get another 10 percent pay raise for your volunteer efforts, because you all know that 10 percent of zero is still zero. But thank you all very much for your service.

It is really a treat to have Della join the group. As is the appropriate process, we'd like to take the oath, if you would, please. So could you stand, and I will administer the oath.

Could you raise your right hand, please?

(Whereupon, Ms. Della Williams was duly sworn.)

ASSISTANT SECRETARY SUTTON: Congratulations, and thank you.

(Applause)

THE ROLE OF THE U.S. GOVERNMENT IN ASSURING A SECURE COST-COMPETITIVE LONG-TERM SUPPLY OF ENERGY FOR U.S. MANUFACTURERS

Assistant Secretary for Manufacturing and Services William G. Sutton

ASSISTANT SECRETARY SUTTON: Okay. Now, we've got a whole effort of the Council, which is to strengthen our policies. Today we've heard from the producers of energy and the distribution folks of energy, and everything else. Our purpose today, as Fred said, is to wrap up all of the information that you saw in the various briefings and panels this morning and to finalize our letter.

So in our agenda today we have picked two or three topics. The first one is concerning the role of U.S. Government in assuring a secure, cost-competitive, long-term supply of energy for U.S. manufacturers.

So, Karen, could you start off our discussion of this topic?

VICE-CHAIR WRIGHT: Well, I have all the solutions at my fingertips.

(Laughter)

VICE-CHAIR WRIGHT: It seems to have eluded everyone else so far.

First of all, I think that I kind of heard

this in the discussions this morning, that you can either legislate barriers, which is typically what government does, or you can provide incentives. There are kind of two types of incentives that we heard about, either a reduction in taxes or tax credits.

I think that when you're talking about energy, that if you allow people to have the sufficient capital to invest in their businesses in the form of either tax credits or tax reduction, that's going to get you a result much faster than through legislation that provides barriers.

One of the things that I think is a really good example of a government barrier today that has caused us to have to pay more for natural gas, in particular -- and I missed the first panel, but I did hear that part of the discussion was that at this point in time there really isn't an alternative to natural gas in terms of a bridge to nuclear, solar, wind, et cetera. We have to use it. We have it available on this continent. Ninety-six percent of the natural gas that we use in this country is from here, it's not from some foreign source.

There is a tremendous amount that is not being recovered because we have put off limits the off-shore continental shelves and vast tracts of Federal land.

The reason that we've done that is because of the fact that we bought the environments' idea, which is that big, bad oil and gas goes in and ruins the environment. But the technology today is excellent. We do not have to despoil the environment. The fact is that all of us in the oil and gas industry live on the earth, too. We care about the environment every bit as much as anybody else. We're not interested in ruining it either.

I think all you need to do is set the rules and say, this is the expectation in terms of how you do this, and then let the industry do it because it's very efficient, it's very fast, and it makes money, and it provides a huge number of jobs. So why are we holding up that parade by a mistaken idea that somehow or other we're going to ruin the environment, when that is indeed not the case? So I would say that that right there, that would be the very first thing I would do if I were president. If I ran the show, I think we'd take that barrier away and let our industry go for it because it's good at that.

MS. JOHNSON: By "barriers" you mean access to our natural resources?

VICE-CHAIR WRIGHT: Right.

MS. JOHNSON: And then to deal with the infrastructure to get it to where it needs to go. We

keep talking about bridges. Another organization I'm involved in, we're dealing with the same issue. How long is that bridge? It's supposed to be kind of the bridge to get us to --

VICE-CHAIR WRIGHT: Twenty years, about.

MS. JOHNSON: To develop the infrastructure and get it to go. So I guess the next thing would be to talk about, how long is that bridge with all the other stuff that's going on?

VICE-CHAIR WRIGHT: Well, as regards natural gas, the infrastructure exists today. Fifty-five percent of the houses in the United States are heated with natural gas. Seventeen, 18 percent of our electrical power generation is natural gas. Another 18 percent is nuclear, which is maxed out. I mean, we're running all our nuclear plants as full-tilt as we can.

Then it's about 50, 51 percent coal. Clean coal is a possibility, but it's very expensive. We already have the resources here to produce natural gas. We have plenty of it, more than enough to last us for a long time. But we've put this barrier up and we've lumped it in with all the other things, forgetting that natural gas is a very clean burn and a very efficient fuel. And we already have the power grid, the pipeline grid to deliver, but we're not allowing it to be

produced. We make it a regulatory nightmare to do it.

All right. Does somebody else want to say something?

ASSISTANT SECRETARY SUTTON: Fred?

MR. KELLER: Well, maybe we could hear from our audience, too. We're trying to get some facts on the table from as many points of view as possible.

VICE-CHAIR WRIGHT: Does anybody have an opinion on that subject?

MR. DANJCZEK: I'm Tom Danjczek with the Steel Manufacturers Association. We make about 60 percent of our steel in the U.S. today, so electricity is about 15 percent of our cost.

The one item, as I hear you talk so articulately, that I question is putting all our eggs in the basket of natural gas. It doesn't make a lot of sense to somebody like myself who comes out of steel mills that all our new capacity that's come on in the last 10 years, the vast majority has been natural gas, and that projections between now and 2015 is all natural gas. I do a fair amount of travel in Europe. They're 80 percent nuclear, for example. It just doesn't seem to make a lot of sense. I don't question in the slightest what you say about the need to develop natural gas. Are we putting too many eggs in one

basket?

VICE-CHAIR WRIGHT: Well, I think that the key to that is to understand that it's a bridge. I read an article recently--I think it was *Forbes* or *Fortune* magazine--and I'm not a mathematician, so I don't know if this is correct, but according to the author of the article, we would have to build one new nuclear plant per month for 40 years to equal the current capacity of coal and gas. So that isn't going to happen, clearly. The capital necessary to develop nuclear energy, which I think is really the obvious one -- you know, France is almost 100 percent power generation via nuclear.

We should be doing that. That's the other thing we should be really going for. The technology is safe. It's very, very clean. I think we can deal with the spent fuel issue. But again, it's that environmental thing, the myth that the fellow was just talking about, that it's going to blow up. So how do we deal with that? I mean, I don't think we should put our eggs in one basket, and no, I don't think gas is the total answer. But there has to be something. The magic doesn't exist. It is readily available, it's clean, and it comes from here. We don't have to become dependent on some foreign source.

MR. DANJCZEK: I guess, if I may, just one

brief comment. I was in Shanghai recently. I saw seven nuclear plants being built in a short distance from Shanghai. That's what we're competing against, head-on.

VICE-CHAIR WRIGHT: Right.

MR. DANJCZEK: I know Mr. Sutton understands it very well. But it just seems that we've got our head in the sand, not doing something in that direction, that's all.

VICE-CHAIR WRIGHT: Right. I agree.

MR. DANJCZEK: Thank you.

ASSISTANT SECRETARY SUTTON: Well, as you heard from the panels this morning, the first panel more so than the second panel, it talked about, it's not a one-trick pony. We've go to approach it from all angles.

MR. CICIO: My name is Paul Cicio and I'm the president of the Industrial Energy Consumers of America. We strongly support increasing domestic supply of natural gas and we are deeply concerned about the thinking that we can import our way out of our problems, a regime we believe we'll continue to be extremely volatile, extremely unreliable. It's a shame that we can't produce more here, environmentally sound, and reduce imports.

VICE-CHAIR WRIGHT: Any dependency on that.

MR. CICIO: However, the bridge issue is a real serious problem because we have, for the last several years, at least since year 2000, 65, 70 percent of all of the power generation that has come on-screen in this country is natural gas-fired.

VICE-CHAIR WRIGHT: Right.

MR. CICIO: That has increased the demand for natural gas.

VICE-CHAIR WRIGHT: Right.

MR. CICIO: It has put upward pressure on the price of natural gas, to the extent that we have lost a lot of manufacturing jobs in energy-intensive sectors.

VICE-CHAIR WRIGHT: Like steel.

MR. CICIO: The chemicals, the fertilizers, steel. Yes. Because in that time period, again, starting from year 2000 to now, on average, the price of natural gas in the United States has been the highest in the world, higher than Europe, higher than even energy-deficient China. Okay. And even EIA is saying today, as they look at their forecast going forward, they continue to see more natural gas power generation getting built. I'll give you an example. The loss of manufacturing jobs, 18 percent since 2000, has reduced natural gas demand by the manufacturing

sector by about 19 percent. Okay. Well, the power sector has consumed 19 percent more -- and it is only growing.

What is of great concern, is in the environment we have today, we have legislation on Capitol Hill in the Senate that caps greenhouse gases. Absolutely, we need to do something to address greenhouse gas emissions. But every manufacturer I have in my group is deeply concerned that, as we cap greenhouse gas emissions, the quickest way for any company, particularly the electric utility sector, to reduce greenhouse gas emissions is to simply switch from coal to natural gas, driving up even more demand in a time when we have been struggling. For the first time in years and years, last year, 2007, we actually, I think the numbers are going to say, we netted a small increase in the production. All that production is out in the Rocky Mountain west.

VICE-CHAIR WRIGHT: Doubled.

MR. CICIO: The Gulf of Mexico, in the last six, seven years, has fallen. So we have this supply/demand price scenario here that is, particularly under this climate change environment -- we have so much natural gas-fired power generation capacity sitting out there unused because a lot of it is used as

PEET, it's only turned on during the hottest parts of the day.

If climate change legislation incentivized the electric utility industry to use more gas for power generation and they turned on all that capacity that's sitting around instead of using it just for PEET, they used it for the rest of the time, basically there's enough capacity to use all of the natural gas we produce as a country. So we have to be very careful about the economic incentives that come rolling out of these climate change bills.

So going the long way around, our organization knows that, short term, maybe all we have is gas. But we have to keep an energy mix in this country that addresses sound economics with environmental soundness. Coal is the cheapest BTu. We need the technologies, IGCC. We need more of those kinds of plants that produce natural gas from coal, and use coal for clean-burning facilities. We need nukes. We need renewables. Renewables, though, you can double, triple them and they're still going to be small.

VICE-CHAIR WRIGHT: It's still a tiny percentage.

MR. CICIO: Yes. And they're not reliable for manufacturing. We need to know that the electricity is

there when we switch that switch, and you can't do that with renewables. But we want coal, nuclear, natural gas all competing with one another. When they compete with each other, consumers win. If there's a lack of competition between and among those competing electricity generation sources, consumers will lose.

VICE-CHAIR WRIGHT: Well, by putting off-limits so much potential production, that makes it an uncompetitive environment. If you were to open up all of that potential production, it would drive the price down.

MR. CICIO: Yes.

VICE-CHAIR WRIGHT: That's the inevitable result of a bigger supply. It's the pressure of insufficient supply, artificially created, that's causing the increase in price.

But the other thing that I think is important to remember, is that there is a point where, if the price falls below a certain level, you can't make any money.

MR. CICIO: Sure.

VICE-CHAIR WRIGHT: There is no cheap gas to be found anymore in the North American continent. The fact is, almost all the gas that's being produced today requires quite a bit of compression and so on, and

other equipment just to get it out of the ground because it's not huge, free-flowing gas like they have in the Middle East. So there is a cost associated with what we produce here that they don't have in other places.

But like you said, L&G, it's kind of getting right back into the same thing as being dependent on foreign oil. Why would we go that route? We should be looking at the next 20 years, produce the most gas possible, make an incentive to do that, and then while we're doing that, be building all these other alternative energy sources. That would be the logical thing to do.

MR. VOBORIL: That just underscores the need for some very significant increases in R&D funding for the development of, whether it's clean coal, wind power, hydrogen-based sources, and gas is certainly a stop-gap. But 20 years I mean, most of us probably won't be here to reap the rewards.

VICE-CHAIR WRIGHT: Oh, no. Sure we will. Sure we will.

MR. VOBORIL: But beyond 20 years, then you have to make sure that you've planted enough acorns to get those oaks growing.

VICE-CHAIR WRIGHT: Right.

MR. VOBORIL: The other thing, a constant theme that kept flowing through the discussions this morning, was that it's a double win by concentrating on research and innovations that will help resolve problems here. We can also, as a manufacturing-based economy that develops and builds the equipment or the process capabilities, the technologies, it becomes an entirely new area, a significant growth area, for our economy.

Let's face it, the scariest thing I heard today--I'd never heard the numbers before--was the outlook in terms of what's going to happen with the missions in China once everybody gets their car, and once all that coal comes up out of the ground and gets used for power plants? I mean, politically I don't know how you'd negotiate a limit there. But if you develop technologies, the Chinese are pretty smart.

They're concerned right now about the optics of the Olympics, making sure that they're shutting off factories and things to keep the air clean. Those of us who have been to China, on a good day, it's like Gary was 30 years ago. I'm from Chicago, so we know what Gary was like 30 years ago. I guess you could --

MR. DANJCZEK: I started in this industry 30 years ago. Can you go back maybe just 10 more?

(Laughter)

MR. VOBORIL: I could go back 40 years.

(Laughter)

MR. VOBORIL: But, I mean, the R&D, the walking in place, R&D credits. Many people made the comment this morning about predictability, about, when we make investments, we make them with probably a 10-year-plus time horizon. If you see the tax credit policy incentives bouncing up and down and you can't have a platform to base your economic analysis on, it makes it very difficult to make the kind of investments that have to be made to keep the United States at the forefront of innovation and technology development that solves our problems here, but also makes us a source of technology to the world. That's where we want to wind up here.

VICE-CHAIR WRIGHT: Yes?

MR. LARKIN: Karen, I'm sorry I didn't get a chance to listen to this morning's discussion. I'm Steve Larkin, president of the Aluminum Association. I agree with what Tom and Paul have said. I think we're going to need every unit of energy that is available from whatever source. But from what I understand of the nature of this report you're working on, is there would be a couple of things that I'd put input on.

Every manufacturing meeting I've been to, there is the assumption that everybody knows the value of manufacturing jobs. I think we're making a big mistake if we don't restate the obvious, because the people that read this 18 months from now may need to be reminded.

VICE-CHAIR WRIGHT: Good point.

MR. LARKIN: That would be point one.

Point two. I think it's important to say in this report that any solution, be it a cap and trade solution, be it an increase in the energy supply, is going to take compromise. There is no free lunch in any part of this discussion. Somebody, somewhere, in some report ought to say that because there are going to be a lot of people between now and November that are going to give the impression that there's a free lunch if you just tag somebody, and that's not true.

The final thing. We've done a lot of work in China as well. What our members are telling us is that, at least insofar as energy is concerned in our sector, the Chinese are rapidly becoming uncompetitive. There is a lot of spare manufacturing capacity in this country. One of the things my folks are telling me is, depending on how the mix works out in other regions, we might get back some of these good-paying manufacturing

jobs.

VICE-CHAIR WRIGHT: Actually, it's already happening, and I can kind of speak to that because we're in capital goods. One of the things that is true of consumer goods, which is, cheap labor works for that--the Wal-Mart stuff that's made--and cheap labor is effective. But when you're talking capital goods, things that are meant to last and which cost a great deal of money, cheap labor has zero effect because it's skilled labor, like Kellie was talking about.

We are having a tremendous difficulty finding skilled machinists. They're not thick on the ground. We've hired every single one there is to hire in our county and there aren't any more. So the only way that we can expand our labor force is to buy other companies in other towns, because there's nobody left to hire.

So there is no job shortage in manufacturing. There's a boom going on. I know there is, because there's nobody looking for work. A lot of things are coming back to foundries and to heavy equipment manufacturers because there's no advantage to making it in China and shipping it half-way around the world when you're talking about stuff like that where you have no control over quality, delivery times, and all those kinds of things. So you're absolutely right. It's

coming back to us.

We should be incentivizing that. I don't know how to incentivize. I hate having government subsidy. I do not like corporate welfare. I think lowering taxes is the better way to do that, quit taxing corporations at the rate that we do and let them have the capital to invest in growth.

MR. KELLER: On your question about, what should the government do, I think there's a couple of things. Create the road map that we can get there, or how we can get there, the vision of that. We have some very important things at the Commerce Department, and we heard about that this morning. The other was, advocate for gas -- to Karen's point, the idea of having some consistency in the policy throughout is extremely important.

The wind industry is facing that especially. You can see the chart and see how that chart goes. They plot the years on which the -- is off, and goes back on, and off, and on. That should be set. My suggestion is that that go out 10 years and do a declining on that, and just take it down 10 percent a year for 10 years and let it be done.

VICE-CHAIR WRIGHT: Well, by that time it's either viable or it's not.

MR. KELLER: Right.

ASSISTANT SECRETARY SUTTON: But in line with that predictable or long-term policy viewpoint, that came up several times in the discussion this morning. In fact, the banker was talking about all the money sitting on the sidelines, waiting for some sort of coherent policy to invest in. So maybe that should be one of your top-of-the-line recommendations. It's kind of an umbrella approach, and we've got all these other pieces to it. But, of course, the R&D piece is so critical, the tax piece is so critical, the broader look at numerous sources is so critical, and the efficiency side and is also important.

VICE-CHAIR WRIGHT: What did you want us to --

MR. CICIO: Well, I would say to do renewables in this production tax credit in terms of the question of what the government will do. The production tax credit has been around for, what, 15 years? I don't know who knows the answer to that. Fifteen at least. It has certainly put more renewable energy out there, but it was supposed to do a lot more than that. It was supposed to reduce the cost of renewal energy. That's happened. Well, if you look at the DOE EIA numbers on renewable energy, solar has gone down, but wind, for example, hasn't.

Anyway, my point is this. As a suggestion to think about is a production tax credit that sets aside a portion of that money that is for technology deployment or technologies that are not partial. In other words, the game plan should be to incentivize the commercialization of renewable technology, you get it from the lab, from the pilot facility and get it out into the field. I have seen lots of technology where they can't get there, and the PTC would be a great source of investment incentives to get there, at least in portion, but from the PTC to developmental technology.

ASSISTANT SECRETARY SUTTON: My understanding of PTC is it's been around for a long time, but it just comes on and off for short periods, a couple of years at time.

VICE-CHAIR WRIGHT: Also, a really good point, too, about reminding --

MR. KELLER: This is where wind is today, this is new coal and new nuclear, so it actually is quite --

MR. CICIO: But if you take PTC off, though, what happens?

MR. KELLER: It goes up 1.8 cents, something like that. So it goes up a little. This is NREL stuff. This is DOE.

VICE-CHAIR WRIGHT: I think it's good to put in our report about manufacturing to be reminded that, as a matter of fact, it is a base for our economy. It's not service sector. The service sector exists because we have a strong manufacturing sector. I'm also a member of the National Association of Manufacturers, NAM. They have about 14,000 members. If you add up all of the families associated with that, that's about 40 million people that are directly associated with manufacturing. It's a very, very strong group and it is the real good-paying jobs.

It's what makes it possible for McDonald's to be in business, and for Wal-Mart, and so on, and so forth, because of manufacturing. Energy is kind of the thing upon which that hinges. So, this is really important to us as manufacturers because if we do not have safe, reliable, secure energy we will not be able to continue at the rate that we are.

ENERGY COSTS FACED BY U.S. MANUFACTURERS

Moderated by

Assistant Secretary for Manufacturing and Services

William G. Sutton

MR. KELLER: You touched a little bit on the second point already. Do we want to jump into that at all on energy?

ASSISTANT SECRETARY SUTTON: Are you ready to go to the second point?

MR. KELLER: On energy costs.

ASSISTANT SECRETARY SUTTON: This is a great discussion.

MR. KELLER: Because I think it's already been touched on. The steel is up 15 percent. How much is it alone? What's the energy cost alone? Thirty plus. That takes in both the refining and the processing?

MS. JOHNSON: Don't you see it in your raw material prices, Fred?

MR. KELLER: Well, thank you, Kellie. Yes.

(Laughter)

MR. KELLER: I happen to be one of the unfortunate guys that's in the plastics industry and we're at 50 percent, plus. I've got a similar draft that shows the increase this last year. Since January of 2007 to January of 2008, the bellwether is high-

density polyethylene, and has gone up 47 percent.

VICE-CHAIR WRIGHT: I don't know how that can happen because the price of gas didn't go up 47 percent. It stayed down here.

MR. KELLER: Well, it's called supply and demand.

(Laughter)

MR. KELLER: They say it's going to moderate. That would be nice.

VICE-CHAIR WRIGHT: There is a slump coming.

MR. KELLER: The point is, when you're dependent on volatile commodities that are feeding the energy side, you're also faced with volatile pricing on the raw materials side. When a new tax at 15, 30 percent, and 50 percent, that's real impact on --

VICE-CHAIR WRIGHT: You just need to be more efficient.

MR. KELLER: Yes. Right.

MR. DANJCZEK: The number I quoted was on an average basis.

MR. KELLER: Okay.

MR. DANJCZEK: We only have one steel mill left in California. We're making as much steel today as we did back in 1975. But you don't want to make steel in California. It's three times the rate. You

get caught in averages and you can get tricked with --

MR. KELLER: And what is that doing to the steel industry in terms of, are they going -- I mean, in the plastics industry we just had Sabic -- the Saudis have bought GE Plastics. No surprise. Guess where the production is going to be going eventually? They're not going to bring the new plants here. They're going to put those plants right at the gas well where they can get it for a buck as opposed to $7 to $10 here.

MR. LARKIN: Within the next 10 to 12 years, the Mid-East will be the third-largest producing region of aluminum, by the Saudis. The Middle East, the whole region.

MR. KELLER: Yes.

MR. CICIO: The chemicals. Because of energy prices, there's 111 major chemical plants being built around the world and one --

ASSISTANT SECRETARY SUTTON: Well, now that we're into energy costs faced by U.S. manufacturers, Harding, do you have anything to add to this? You've been sort of quiet over there.

MR. STOWE: Well, this is where the rubber meets the road, and that's on the manufacturing floor. We have seen, in terms of raw materials, especially

with direct energy costs, post-Katrina, we, like I think all manufacturers, have seen their energy costs rise. Our solution is really two-fold from a technology standpoint and capital investment in boilers. We think that the technology in boilers today offers significant energy savings. The staging of boilers.

Many manufacturers today are doing things differently, so rather than having one huge boiler that is expensive to run, unless you downsize it continues to be expensive to run, that you can stage boilers, smaller boilers that pair up with your manufacturing capacities better. We have invested in new boilers, drying capacities and the wet processing that we do.

There are tremendous technological advances there, including radio frequency drying. The problem with this, with all technology, is it's very expensive. And you're looking for a return, both from the savings that you have in energy, but also in the sales price of what you're selling. We haven't had much inflation in our selling price recently.

Along with the technology and capital investment, a lot of it is blocking and tackling, managing steam leaks, managing other wastes of energy within your plants, and we have doubled our efforts to

find out where and how we are wasting energy and working on that end.

Then just one final point that comes to our mind when we are looking at all these things. It's not just energy. We believe that resource management, precision resource management, is a focus. Energy is a huge part of that, but it's not the only thing in that all of our raw materials, all of the inputs that we use in manufacturing, we need to be as careful and as efficient with them as possible. I think that's an area in the future.

ASSISTANT SECRETARY SUTTON: Well, the process efficiencies you're talking about, that kind of ties into our sustainable manufacturing work to come up with a single source for manufacturers to go and get best practices and to look at those kinds of things. That's one of the things. We've already had one conference on it, and we've got follow-on activity beyond that. So, that just --

MR. LARKIN: Woody, on your sustainability, have you also checked with DOE? Because they've got a whole audit system. One thing that's really critical is that energy and environment and economics, they just all link. If you're efficient, then you're going to do well on both energy and --

ASSISTANT SECRETARY SUTTON: Yes. They were part of our first meeting back in September and were involved in the whole process of putting it together.

MR. CICIO: This is the Save Energy Now?

ASSISTANT SECRETARY SUTTON: Yes.

MR. CICIO: As a matter of fact, kind of teeing off of what I heard over here, is that program -- I've been involved in supporting DOE programs since the early 1990s. I have never seen a program that has been more appreciated than that Save Energy Now program. For companies who do not have, for example, the engineering staff that is geared towards this, this is a wonderful opportunity to put good energy savings in place. It's a really great program. It's win-win.

ASSISTANT SECRETARY SUTTON: Any other comments on the costs, and energy intensity? That was one item that I had on my --

MR. DANJCZEK: I do make a point that I'm sure you covered this morning. I'm sorry I wasn't there. It's the uncertainty that's causing the lack of investment. The very fact that we don't know is causing things not to happen.

ASSISTANT SECRETARY SUTTON: Yes. That came up several times this morning. Absolutely. From a policy standpoint.

MR. DANJCZEK: Yes. A failed policy. When you've got multiple bills covering the same issue and different investment strategies, what do you do? You stay on the sidelines. You don't invest, or you look elsewhere.

MR. KELLER: The other issue on cost -- it's interesting. There was a comment on those in the *Journal* yesterday, the banks that were saying we're going to consider the external costs in the trading system in terms of their future funding of coal, or clean coal. So that's a very significant step by them, with the money following that, saying this is not something that we're just going to wait for. We're going to build it into our thinking right now as we're thinking about funding future capacity. It's going to have to figure into the -- the external costs are.

MR. CICIO: But removing this idea of removing uncertainty doesn't remove uncertainty if it's not the right climate policy. I'll give you an example. This morning I received a copy of a report by the -- Commission to the economic costs of S. 2191 -- bill. The costs are just incredible. They're talking about a $7 price for carbon. It had a $4 increase in the price of natural gas by 2020, the price of coal going from $50 today to $167, that's bituminous.

Electricity, by 2015, up 28 percent, by 2020, up 40 percent. GDP impacted negatively at 2.3 percent in 2015. My point is that this is analysis. It's making a lot of assumptions. Some of the assumptions I'm sure are good, some of them are not. But, I mean, we just cannot be lulled into thinking that the price of carbon is going to provide the price certainty that's going to provide answers to capital investment, because it won't.

MR. KELLER: Is the analysis taking into account -- is that saying that that's simply the legislation that's causing that? I mean, we are still faced with the uncertainty of the supply and not knowing what price that is going to drive based on the increasing demand. A global electricity increase of 50 percent -- those are heart-stopping numbers.

MR. LARKIN: You know, I think everybody in the room knows this very well -- in Europe, where the utilities got in early and they were very well taken care of, extremely well taken care of. The manufacturers got stuck with the tab. I think somewhere in the message back to the Secretary we ought to say that, in addition to this business about uncertainty, if we really are serious about the importance of energy in manufacturing, yes we need

energy. Everything we've said about energy here is absolutely true. But everybody ought to step across the line at the same time. Nobody should get ahead of somebody else. Eventually what happens is, the customer picks up the tab.

MR. KELLER: I mean, you probably deal with that rate all the time in your facility. They're so highly regulated, they are ahead of them. They're ahead of everybody right now in terms of regulation. They complain about it, but still --

MR. LARKIN: It's a pass-through. It's a pass-through.

MR. DANJCZEK: In some ways, their position works to their advantage.

MR. KELLER: And the more they push through the line, they more they make. The more they invest, the more they make. That's the incentive.

MR. CICIO: To be more specific, any energy cost or any carbon environmental cost is an automatic pass-through. The cost of energy, the price of natural gas, the cost of coal can go up. It doesn't increase or decrease their profitability. If they put more capital on the ground and go to the expense of nuclear plants, then they get a better return on that and it leads to profitability. But in all cases, consumers

absorb all of these costs.

ASSISTANT SECRETARY SUTTON: This is an interesting concept that we're talking about here. It gives it kind of a different perspective. It's almost like you've got manufacturers competing to be utility providers.

MR. CICIO: Well, it's worse than that. I'm not picking on this legislation, but it's the only legislation that is going to be debated on the floor sometime this year. This is the one I've been talking about, the Lieberman bill. But it does have a provision that has worked hard -- that means that if a manufacturer needs an allowance to stay in business and a utility needs that same allowance, the manufacturer and the utility is going to be competing for that allowance and the highest price wins. And the electric utility will win every time because they can pass the cost through.

MR. VOBORIL: I'll tell you exactly where I -- 17 years. AgriPower -- sourced -- an hour. There's been a huge drain in manufacturing jobs out of Western Europe in the past 40 or 50 years. Instead of spreading the benefit to that, maybe having the average consumer save 5 bucks a power bill, they could have used low-cost hydropower allocations to help preserve

the manufacturing base, but politically it was more appropriate for Albany to spread it across the State and we see what's happened.

But you're exactly right about the political trade-off in what we make, and it almost always will be unless something else is done in favor of giving a little bit to a few million people and getting the benefit politically rather than doing the right thing strategically and investing in the manufacturing sector.

ASSISTANT SECRETARY SUTTON: That's one of the questions I had in my pocket to ask in case we kind of ran out of things to talk about here on energy costs, which obviously I don't think we'd ever run out of things to talk about. But do you feel like you're competing? The international competition doesn't enter into your advantage.

VICE-CHAIR WRIGHT: Yes, because they don't have the same environmental regulations that we do, particularly when you're talking India, China, Russia.

ASSISTANT SECRETARY SUTTON: Are there any alternatives to the Lieberman bill?

MR. CICIO: It is the bill that has been voted on in the subcommittee, voted out of the full committee, so it is a viable bill. There are other

bills that have been introduced, and particularly the Bingaman bill has been debated, but it is not going to be voted on unless, on the floor, there's a substitute, which you never know.

MR. LARKIN: Lieberman, they're doing some surgery on it. Paul's right. Paul's right. I mean, this is the train.

MR. DANJCZEK: And the Specter bill, for example, has--Paul, you would know better than I do--what, a $12 cap or something where he puts a max on it to start. I would remind us, the last time I read our Constitution there were still two Houses. I haven't seen any meaningful bill come out of the other House yet. That's where some of the economic jobs have been hit. I heard others call it "cosmic dust" -- referred to it out front, but we're some distance away. But it's coming. I'm not denying it's coming. It's what the snowball looks like.

ASSISTANT SECRETARY SUTTON: Yes. I'm just thinking about where this Council would want to assert itself on our side.

MR. DANJCZEK: Mr. Dingle from the House just now -- Paul, you sent out and described -- basically puts a border-adjustable feature on it and says it doesn't make a lot of sense for us to go running and

signing up without some of the large trading partners around the world and developing countries doing their share. It's about a 12-page paper that did say that. Whether that's WTO-compatible or not, I wasn't worried about that.

MR. LARKIN: Karen, just to get back to this business of Woody's question on energy -- I think that it's true that the general answer is yes. I think that if you really kind of unwind it, the answer is really more nuanced because it depends and it varies from industry to industry. For example, this China question. There are a number of manufacturing sectors -- so as a general rule -- but I think that if you just put that in there without some further comment, that that might be something people would take exception to.

VICE-CHAIR WRIGHT: I don't think we're necessarily at a disadvantage in the world, per se. I mean, we do have sufficient energy resources here, don't we?

MR. LARKIN: Yes.

VICE-CHAIR WRIGHT: And if you look at the efficiency and technology that we deploy here -- you know, I was just reading an article that said that the predictions for energy growth use back in the 1970s were about three times what the reality is, because we

have gotten way more efficient in our use of energy. It's part of our culture to think about that. So I think that's our advantage, is that we probably will do a lot better than is predicted. I mean, I still have faith in the free market to do that.

MR. CICIO: I would agree on the supply capability potential in terms of how much natural gas we have sitting on the ground, how much coal.

VICE-CHAIR WRIGHT: Right.

MR. CICIO: But when it gets to prices, for natural gas, as I said earlier, on average, we have the highest. It's moving all the time. On electricity, we've been advantaged compared to, for example, Europe. But getting to this issue of competitiveness, I think there are lots and lots and lots of countries who subsidize energy to their manufacturing sector, who truly value them, and they subsidize them and they fix the cost of electricity and natural gas to them for a lot of reasons, you know, they like the manufacturing jobs, the stability, and the export dollars. That's really the reality of what we're competing with.

VICE-CHAIR WRIGHT: But if you look at Russia, for example, they keep their price of gas ridiculously low. They're not speeding ahead of us in terms of development. They're way behind. Their infrastructure

is cratering. The money is all going somewhere, but it's not going into development. Their population is dependent upon it being way, way below market price so they've created a monster that there's almost no way out of when you do that kind of thing. When you keep it artificially low, it doesn't work in the long run.

MR. DANJCZEK: Karen, last week the new Mexican president put together a bill -- $5 million just to build above-and-beyond power plants. That excites the heck out of me. It excites the heck out of those who are in the manufacturing business. Our very infrastructure is -- on whether the highways -- power plant. We are lagging badly on infrastructure spending, including power plants.

ASSISTANT SECRETARY SUTTON: What were those power plants going to be? What were the source --

MR. DANJCZEK: They were in the industrial area around Monterey and -- that area.

VICE-CHAIR WRIGHT: He means, what is it, nuclear, coal?

MR. DANJCZEK: Gas.

VICE-CHAIR WRIGHT: We actually export gas to Mexico, which I think is astonishing.

ASSISTANT SECRETARY SUTTON: The most amazing thing since I've been around here in Commerce, is we

have all these various economic briefings all the time. In the drafts I see, the tallest bar is always the natural gas bar. It doesn't matter if it's a percent, or a cost, or volume, or whatever, it's always the tallest bar, natural gas. It's just a scientific piece of data.

VICE-CHAIR WRIGHT: But it's been a really great four years. Our business has grown by 200 percent. So, not everybody is unhappy about that.

ASSISTANT SECRETARY SUTTON: Do we have any other facts that we want to find on the cost bit?

MR. KELLER: One thing I was going to mention is the idea of global pricing. My understanding is that we're really seeing global pricing on a BTu basis. That's why gas is running as high as it is, is it really is getting equivalent to a barrel of oil, BTu-wise. Does that sound right?

VICE-CHAIR WRIGHT: It's about half, actually.

MR. KELLER: It's half of --

VICE-CHAIR WRIGHT: Yes. If you multiply the cost of MCF by six, that's equal to a barrel of oil. So it's around seven something times six. Oil is right around eight, so it's about half.

MR. CICIO: It's interesting you brought that up. It confounds many of us that natural gas, when it

is traded, is sometimes talked up to say that the BTu price of natural gas has to be equal to, or should be around, the BTu equivalent of crude oil. But the two are not --

VICE-CHAIR WRIGHT: But they're totally divorced. Yes.

MR. CICIO: They're not a substitute.

VICE-CHAIR WRIGHT: They're not even used for the same things, essentially.

MR. CICIO: The same thing. Right. So they should be influenced exclusively by supply and demand rather than traders.

VICE-CHAIR WRIGHT: Who are artificially -- yes.

MR. KELLER: Well, it's unbelievable also that we are paying $7, $8 a million BTu here in this country, and in Africa they're still flaring.

VICE-CHAIR WRIGHT: And Russia.

MR. CICIO: One of the other cost issues that I'd like to put on the table again, and this goes back to natural gas, is through -- BIRC, in their summer report, said that the price of electricity is going up across the Nation because a greater portion of the power is being priced on natural gas-fired/powered generation. So if the demand for natural gas goes up,

the price goes up. Then the natural gas-fired power generation is setting a marginal price for electricity. So we have a two-for going on here that is just beginning to build momentum. Natural gas not only impacts natural gas in our factories and in our homes and so forth, it's also impacting electricity prices.

MR. KELLER: That gets compounded because of the fact that goes with that combined cycle.

MR. CICIO: Absolutely. They're much higher in expense to run.

VICE-CHAIR WRIGHT: But then if we look at the overall picture and the thing that we've been talking about at this conference, which is energy future, one of the things the speaker just mentioned is, there's no free lunch. If you want clean, you're going to have to pay for it. If you want dirty, we can go with coal. It will be cheap, but it'll be dirty. So, the reality is, it's not free to drill, it's not free to mine, it's not free to build nuclear plants. It is going to cost money.

It's going to cost a tremendous amount of money for us to supply the sufficient energy so that whenever we flip a switch or turn on our cell phone, computer, or whatever, that it works. So is it possible that the age of cheap energy is over? I don't

know. I mean, I don't think it's ever going to go back to being as cheap as it was because the cost has gone up just to get it.

ASSISTANT SECRETARY SUTTON: And the competitiveness piece. You don't want to pay more than your fair share for it so you can compete on down the chain.

VICE-CHAIR WRIGHT: Right.

ASSISTANT SECRETARY SUTTON: Okay.

VICE-CHAIR WRIGHT: Is that it?

ASSISTANT SECRETARY SUTTON: We've got one more topic that we can discuss if you all have time.

BENEFITING FROM THE EMERGENCE OF A CLEAN ENERGY MARKET

Moderated by

Assistant Secretary for Manufacturing and Services

William G. Sutton

ASSISTANT SECRETARY SUTTON: So how can U.S. manufacturers benefit from the emergence of a clean energy market? What opportunities do you see for the U.S. to become a center of excellence in the production of alternative energy and energy-saving technologies and equipment? So this perfectly sets up Fred, I'm sure. Fred, you would love to start the discussion.

MR. KELLER: I would love to start this discussion. I mean, it is a unique opportunity in time for us to meet this growing demand -- manufacturing -- do that with a PV, as was mentioned. But portable tanks are still not very cost-effective. But having said that, I mentioned other countries that are having higher costs of electricity, the Hemlock plant they mentioned in Michigan, about 95 percent of that is going overseas, and most of that is -- they've got incentives in place and they are installing -- in other countries, so it's a great export market for us.

It really has a great potential -- and wind is the other. We're importing all that technology, largely because of the cyclical nature of the PTC. The

investments are not being made here because people can't count on the idea of the PTC being here forever. So we're missing the opportunity to have the base manufacturing done here to provide importation, and we're missing the opportunity to have technology development and research and development going on for these things, with the exception of GE, which was doing a great job of advancing the technology.

But there certainly could be a lot more coming. We need to give GE a little more competition on our home soil. We could use some additional indigenous wind folks to develop that, and not to mention the biofuels and the R&D that's going on there, and the idea that cellulosic ethanol has to be something that we focus on very strongly and get that on board. Karen is right, it takes a lot of our natural gas to make a gallon of ethanol.

VICE-CHAIR WRIGHT: Plus, fertilizer to make natural gas, plus transportation.

MR. KELLER: Yes.

MR. VOBORIL: Just, one of my hot buttons is the R&D. Another opportunity to get into the forefront on new technologies is to use both government research funding and also partnering with some of the national laboratories and major universities. MIT -- we're

partnering with Argonne National Labs -- on solar. I know that UT down in Austin has got a major program. But that's a way to leverage capability in some of the national labs by partnering and bringing some of the best and brightest students in.

The other thing, in working the last couple of years with "non-graduate" graduates, these are the kind of areas that get students really excited about engineering. Goodness knows, we need to do more things to support engineering education.

By having attractive sectors of the economy that kids can get excited about and say, I want to go to school and then I'm going to go work in a national lab or I'm going to work in some kind of a setting where I can make a difference and also earn a pretty good buck along the way, those are the kind of things that will, I think, help ensure that we get the innovation we're looking for in the future.

MR. KELLER: Let me put a couple of brackets around the potential list. NREL has done a great job, National Renewable Energy Labs, of putting a proposal together that would say we could have 20 percent of our electrical energy produced from wind alone, and we could do that by 2025, 2030.

VICE-CHAIR WRIGHT: And it's 1 percent right

now.

MR. KELLER: It's very doable and would add manufacturing jobs. It needs consistency of policy, but it would add manufacturing jobs. The other thing that it adds, to your point about dispatchability, you can go to about 20 percent without having to worry about dispatchability, accordingly to the NREL folks. There is some critical point at which you have to worry about dispatchability, but up to a certain point you don't need to. That's the key.

The other thing is, I think we all invest our monies somewhere. If you have some percentage of your portfolio that you have kind of in a fixed rate, well, that's the nice thing that wind can do for you because it's a fixed cost. You know what the manufacturing cost is to put those towers up and you know that you're never going to have a fuel volatility problem with wind. It's always free.

So when they put a wind program up, you know what that price is going to be for the next 20 years. So we ought to have some part of our energy portfolio in that fixed rate game, so to me it just makes all the sense in the world for us to pursue some sort of a renewables policy, especially around wind.

VICE-CHAIR WRIGHT: Or you could actually

invest in -- bond.

MR. KELLER: Yes.

ASSISTANT SECRETARY SUTTON: I've heard some things about wind. This is going to be a really obvious answer for you all, but I know that -- it's really manpower intensive, fiberglass and all that stuff, so it's off the board just because it's manpower intensive. We do a lot of handling -- but then also I heard that we import all the turbines.

Don't we have a very robust jet engine/turbine manufacturing capacity? Why don't we build wind turbines? The only reason we're not doing it is because the manufacturers are not willing to invest in that on the ground here because they don't know how long this PTC was going to be around.

MR. DANJCZEK: I would offer a different argument. I would offer from an investment point of view: why invest here, with our costs here, where the shipping costs are relatively low compared to -- I think it's an investment scenario decision made by multinationals to do it elsewhere.

MR. KELLER: I would buy that if they were buying them in low-cost countries. We're buying those turbines from Europe today and we're paying a 50 percent premium on that.

MR. CICIO: Especially with the dollar versus the euro.

ASSISTANT SECRETARY SUTTON: We have all that high-speed, rotating, really cool stuff that you need.

MR. DANJCZEK: I'm sorry. My point was the investment scenario as opposed to somewhere else, taking that business somewhere else.

ASSISTANT SECRETARY SUTTON: Yes.

VICE-CHAIR WRIGHT: But it is coming back.

MR. KELLER: The point being, if we don't do the development work and start doing the intellectual property side of that, those global decisions will be made preferentially somewhere else.

ASSISTANT SECRETARY SUTTON: Do we have access to the financing we need to do that kind of stuff?

MR. KELLER: Now, we heard that this morning. There's all kinds of -- we're a wash.

MR. VOBORIL: You've got people that have so much cash, and unfortunately they're parking it in the wrong place, such as the housing market.

(Laughter)

MR. VOBORIL: But most companies are carrying more cash on their balance sheet today than they have in recent memory, but they're looking for a place to put it.

ASSISTANT SECRETARY SUTTON: Any other comments? Anybody else? Della, did you have anything to add to our discussion?

MR. KELLER: I would offer one other thing. That is, if we get off of kind of writing our own piece, in other words, manufacturers, our own cost question and all that, we are facing an issue that is undoubtedly going to result in trade-offs, short term versus long term. The faster we go after gas and oil, the less there will be for future generations. That's a generational equity question. We should not forget. We may not want to make a decision based on that, but we do have a generational equity question that I think we should -- what are we leaving our kids and our grandkids?

ASSISTANT SECRETARY SUTTON: Okay. Well, thank you

I'll turn the floor back over to you, Madam Chairman.

VICE-CHAIR WRIGHT: All right. Well, I think that we have pretty much covered all the topics that we wanted to talk about today. I appreciate everybody's comments. We will do our very best to include what you've said in our letter to the Secretary, because I think there were some really important things. I'm

really glad that you guys brought those things up, because you're exactly right. We will get our ducks in a row and get our letter written and try to bring the message to the Department of Commerce.

MR. CICIO: I'd like to reinforce something that's so very important, and Steve Markan said it first. I spend a lot of time on Capitol Hill talking to members of Congress. I'm always shocked at how little --

VICE-CHAIR WRIGHT: How little they know. Yes.

MR. CICIO: And part of our talking points, is we talk about particularly the energy-intensive sector and the difficulties that manufacturers have, and the loss of 18 percent of all the manufacturing jobs in just 7 years. Eighteen percent. If you think about, what has Congress done to help?

VICE-CHAIR WRIGHT: Nothing.

MR. CICIO: They're pretty insensitive.

MR. LARKIN: I don't want to pick up on Paul's point. I recognize -- Secretary that there's a certain protocol --

(Laughter)

MR. LARKIN: We don't want to be run off on a rail. But the thought is, is there any way then that

the information in this letter could be made available to Congress? I'm thinking about specifically is DOC authorizing an appropriating committee, because they obviously have first cut at whatever comes out of the building, but also the Speaker of the House and the leadership of the Senate. In the real world, they're going to be the ones that deal with this thing.

ASSISTANT SECRETARY SUTTON: That is a very, very good possibility.

MR. KELLER: My understanding of the protocol is that we can't do that individually as members, but you folks can do it as much as you want.

MR. LARKIN: Anyway, I know these things are in-house and it's the longest distance between here and --

ASSISTANT SECRETARY SUTTON: Well, just to reiterate what I said this morning when I kicked off the conference up there, is that Manufacturing and Services, with the industry sector experts in our office, and our industry analyst, and our advisory committees, and our standards liaison, that's our whole group of 219 of America's finest of government employees, but then we leverage all of the advisory councils and committees and we leverage all of our association with NAM, with all the other industry

associations that participate as you do in the raw materials group, and as Tom does, actually, on the ITAC. But anyhow, the over-arching kind of prime directive is making a positive business environment, and then you all will make the investments and make the jobs. But again, the Secretary coming here today, that's what we're all about, is a positive business environment.

Now, in every one of these industries, and every industry has a bazillion different issues, when we looked at what we could do as far as in energy, then we decided to focus on this low carbon approach so that we could kind of get the policy debate formulated today and look at the current break-out sessions that are going on right now. We're getting some really good input. Some of these specific things that we've talked about today, we're going to get some more input from industry folks that are there.

But to have an inside-the-government industry point of contact representing each of these industries and sectors, ranging all the way from raw materials through finance, which is what we have in Manufacturing and Services, is important, I think, for us to keep it ongoing into the future administrations, regardless of what those look like. But it's important for business

to have that kind of interagency representation within the government.

So if we had the opportunity to present that point, I think that point is, that's down the path of educating the members and educating the policy developers that in fact there are on all these policies, laws, and regulations. There are intended consequences and then there are unintended consequences.

The only way you can approach it is to have practical and actionable data and actually go in and analyze it, and look at all aspects of it, put some numbers to it, make sure you're comparing apples to apples, and then that's obviously our domestic approach. Then, of course, globally what we're trying to do is go over that level playing field and make sure everybody is playing by the same rules. Everybody else has access to our market. Why can't we have access to theirs?

And making sure that we have those kinds of -- and that we're enforcing all of the rules that we already have in place. We have a ton of rules already in place that we ought to be enforcing. So again, your industry and sector experts and representatives within Manufacturing and Services are the conduit into that

process also. We provide all the detail work for USTR on working out free trade agreements and those kinds of things to provide support and market access and compliance. So it's having that industry-friendly set of offices within Commerce to look at things from a business perspective is important, and I think we have to educate our members on that.

VICE-CHAIR WRIGHT: But I think I have a question about that, too. After we write this letter and we present it, and so on and so forth, do you actually ever give that information to members of Congress or does it just stop there?

ASSISTANT SECRETARY SUTTON: We will. We will figure out how to formulate it so we will.

VICE-CHAIR WRIGHT: It's not my feeling that it goes anywhere.

ASSISTANT SECRETARY SUTTON: It will be available. It will be open. Yes, Becki?

MS. BERNIER: When you do prepare the letter, be sure that you request, because a letter will be going to the Secretary. I would recommend that you -- in the letter specifically, you'd like the Secretary to pass it on to the appropriate --

ASSISTANT SECRETARY SUTTON: That's a great idea. That's why we all work for Becki. She always

has a solution.

VICE-CHAIR WRIGHT: All right. If there are no further comments then, I will close the meeting. Thank you all for coming.

[Whereupon, at 3:17 p.m. the meeting was adjourned.]

C E R T I F I C A T E

This is to certify that the foregoing proceedings of a meeting of The Manufacturing Council, held on February 5, 2008, were transcribed as herein appears, and this is the original transcript thereof.

ANTHONY DENNIS

Court Reporter